

**CALENDAR ITEM
C46**

A 37
S 19

02/07/17
PRC 6943.1
R. Collins

REVISION OF RENT

LESSEE:

Point Arguello Natural Gas Pipeline Company

AREA, LAND TYPE, AND LOCATION:

10.19 acres, more or less, of sovereign land in the Pacific Ocean, near Point Conception, Santa Barbara County.

AUTHORIZED USE:

Continued operation and maintenance of an existing 20-inch diameter natural gas pipeline.

LEASE TERM:

20 years, beginning February 1, 2011.

CONSIDERATION:

This lease provides that Lessor may modify the rent periodically during the lease term. Pursuant to this provision, staff conducted a review of the rent under this lease and recommends that rent be revised from \$64,450 per year to \$72,144 per year, effective February 1, 2017.

OTHER PERTINENT INFORMATION:

1. On December 10, 2010, the Commission authorized a General Lease – Right-of-Way Use to Point Arguello Natural Gas Pipeline Company (PANGL) for a term of 20 years ([Calendar Item C32, December 10, 2010](#)). The Lease will expire on January 31, 2031
2. The 20-inch gas pipeline subject to this lease was installed in 1986 by a partnership between Chevron U.S.A. Inc. and PANGL and originates from Platform Hermosa in federal waters, which is currently being operated by Freeport McMoRan Oil & Gas, LLC (FMO&G). Platform Hermosa was shut down following the May 2015 Refugio oil spill that resulted from a severely corroded onshore pipeline that transports crude oil production from Platform Hermosa and other platforms to onshore refineries. The gas

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pipeline is currently filled with inhibited seawater (to prevent corrosion) and is in idle status.

3. The pipeline is currently operated and maintained by FMO&G per requirements of the Offshore California Pipeline Inspection Survey Plan developed by a multi-agency team composed of the State Lands Commission and the federal Bureau of Safety and Environmental Enforcement. Based on review of the most recent reports detailing internal and external pipeline inspections conducted by qualified consultants between 2014 and 2016, the pipeline appears to be in good operating condition.
4. This action is consistent with Strategy 2.2 of the Commission's Strategic Plan to ensure timely receipt of revenues and royalties from the use and development of State lands and minerals.
5. Approving the revision of rent is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

EXHIBIT:

- A. Site and Location Map

RECOMMENDED ACTION:

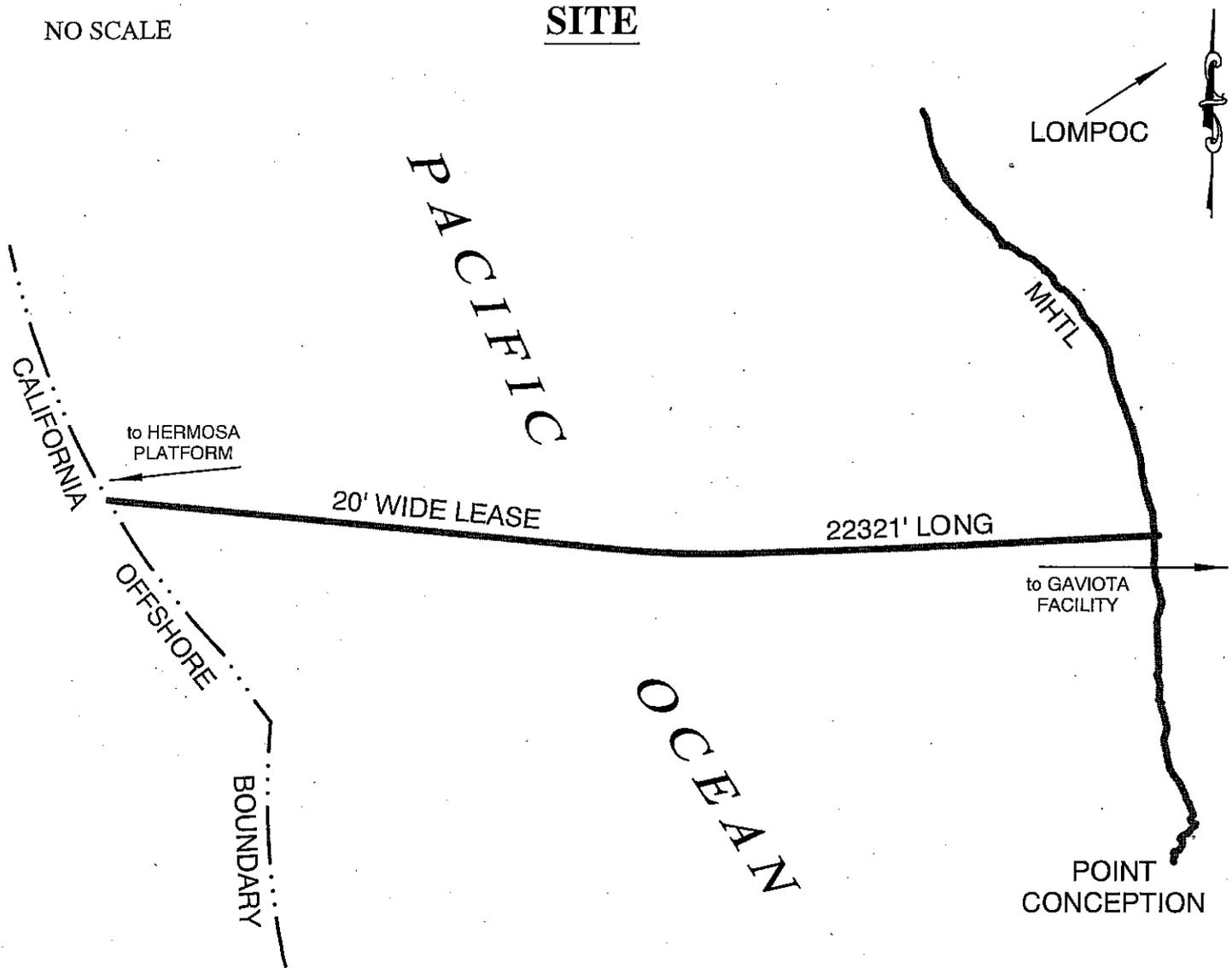
It is recommended that the Commission:

AUTHORIZATION:

Approve the revision of rent for Lease No. PRC 6943.1 from \$64,450 per year to \$72,144 per year, effective February 1, 2017.

NO SCALE

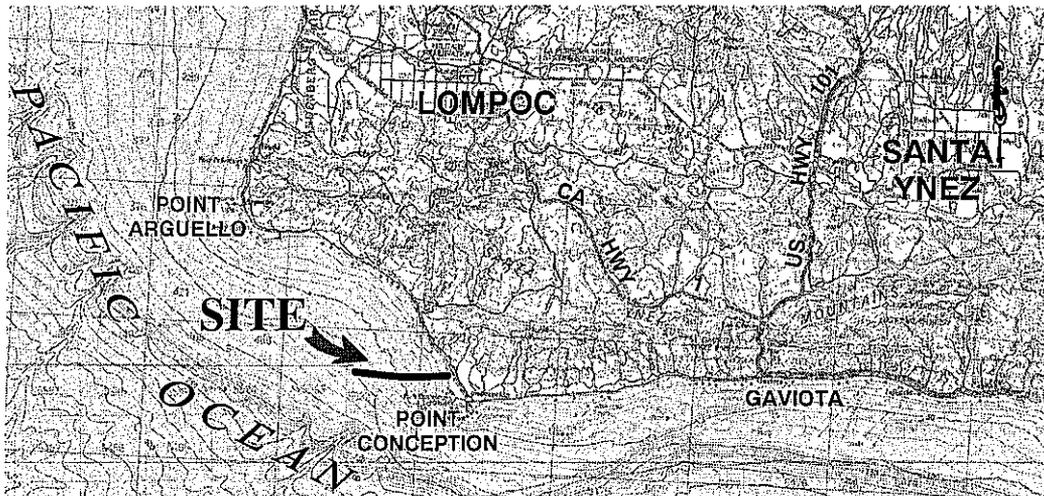
SITE



POINT ARGUELLO 20" SOUR GAS PIPELINE

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit A

PRC 6943.1
 POINT ARGUELLO PIPELINE
 COMPANY (PAPCO)
 GENERAL LEASE -
 RIGHT-OF-WAY LEASE
 SANTA BARBARA COUNTY



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.